

**INVESTMENT POLICY
CAPITAL DISTRICT TRANSPORTATION AUTHORITY**

These guidelines detail the operative policy regarding the investing, monitoring and reporting of funds of the Capital District Transportation Authority (the "Authority").

1. Purpose

- a) Establish a policy whereby current funds, in excess of immediate needs are invested to earn a reasonable rate of return while safeguarding the principal amount.
- b) Assure that invested funds are diversified and adequately safeguarded. The investment portfolios will, at all times, be diversified. No single issuer will represent more than 5% of a given portfolio. There is no limitation for the debt of the US Government or one of its agencies, except that the debt of a single agency will not represent more than 50% of a given portfolio.
- c) Assure that adequate accounts and records are maintained which accurately reflect all transactions.
- d) Assure that an adequate system of internal control is maintained.

2. Authorization and Management

The board members of the Authority have delegated responsibility regarding investments to the Performance Oversight Committee. This Committee will make certain that all investment decisions conform to:

- a) Section 1306 (4) of the Public Authorities Law of the State of New York, and
- b) Article 9, Title 7 of the Public Authorities Law of New York,
- c) 2 NYCRR § 201.1, *et seq.*

The Board may retain at the recommendation of the Performance Oversight Committee one or more investment advisors, which meet the Authority's qualifications and grant the advisor discretion to execute transactions within the context of these policies. The advisor (s) will be expected to act as a fiduciary at all times in the best interest of the Authority.

3. Types of Investments and Contracts

The Authority shall enter into written contracts with investment banks or firms and brokers based upon qualifications and price to manage reserve fund assets. The permissible types of investments (“Permitted Investments”) are as follows:

- a) Certificates of Deposit with banks doing business in New York State which are also members of the Federal Deposit Insurance Corporation (FDIC). Certificates of Deposit of qualifying banks may also be purchased from Broker/Dealers doing business in New York State which are members of the Securities Investors Protection Corporation (SIPC) and the Financial Industry Regulatory Authority (FINRA).
- b) Deposits in “Money Market” accounts in banks specified in Item (a) above.
- c) Money Market Funds that invest exclusively in obligations of the United States Government or one of its agencies, except that up to 1% of each investment account may be held in a conventional money market fund provided that the fund holds more than \$500 million in assets and the sponsor is a substantial and well regarded financial institution with no less than \$1 billion of equity capital. Further, the principal objective of the fund must be preservation of capital. The purpose of this exception is to accommodate relatively small amounts of cash that are not invested and not substantial enough to qualify for a specialized Government-only fund.
- d) Obligations of New York State, the United States Government, or Agencies of the United States Government. Obligations guaranteed, as to principal and interest, by one of these entities is also permissible.
- e) The primary investment objective is the protection of principal. All deposits of money should be fully collateralized.

Types of investments prohibited are:

- a) Securities with maturities longer than ten years or zero coupon bonds with maturities longer than seven years.
- b) Derivative securities or other risky / volatile securities as conventionally defined by the investment community.

As a general rule, investments should be made pursuant to written contract. Permitted Investments detailed herein shall not require written contracts as these types of investments do not generally utilize written contracts as a matter of

common business practice, however, each purchase must be confirmed in writing and be made in accordance with the provisions of this Investment Policy. By Resolution, the Authority may exempt additional categories of investments if written contracts are impractical or not required as a general business practice.

4. Operating Procedures

- a) The investment selection process shall utilize competitive quotations or negotiated prices, except in the purchase of federal government securities at auction.
- b) Approvals: The Committee requires that the Deputy Executive Director of Administration and Finance approve all investment transactions, in consultation with the Chief Executive Officer. The process of initiating, reviewing and approving requests to buy and sell investments shall be documented and retained for audit purposes. The Committee Chairman, the Deputy Executive Director of Administration & Finance and the Chief Executive Officer (when necessary) will meet with any and all retained investment advisors no less than twice per year to review and approve the portfolio holdings.
- c) Collateral Custody: The custodian of all collateral involved in any investment transaction must be either the Authority or a Third Party Bank or Trust Company acceptable to the Authority. Such Bank may not be the same as that with which the investment is made. The custody agreement must be joint with the Bank providing the collateral.

If, at any time during the term of a Certificate of Deposit or deposit in Money Market Account, the collateral or underlying security market value does not equal the principal value of the investment, the Authority shall inform the Bank of the additional collateral required. If additional collateral is not added immediately by the Bank involved, the Authority shall demand the return of the amount invested and remove such Bank from the list of approved Banks for investment and deposit of Authority funds.

Any custodian or trustee of securities in any transaction to which the Authority is a principal may not relinquish control over such securities without the written consent of the Authority and the Investment Manager.

- d) The Authority requires that any Bank or Investment Broker/Dealer with which it makes an investment is the principal in regard to the transaction.

If such Bank or Investment Broker/Dealer is operating as an agent for another Bank or any of its customers, such information must be disclosed to the Authority. To the extent the Board has retained an investment advisor, the advisor will act solely as agent on behalf of the Authority. The Advisor(s) may act as the Principal in a transaction only if it is authorized in writing by the Performance Oversight Committee.

- e) In addition to the normal entries in cash receipts, cash disbursements and general ledger regarding investments, the following additional records shall be maintained.
 - 1) A schedule for each Bank or Investment Broker/Dealer with which the Authority makes investments, maintained by the Senior Financial Analyst, showing:
 - a. Date of transactions
 - b. Description and amount of investment
 - c. Interest rate
 - d. Due date of CD, or Bond
 - e. Market value of collateral or investment security
 - f. Indication of at least monthly recheck of market values
- f) Investments may be made by a telephone call. If the investment is a Certificate of Deposit (CD) that is eligible to be traded and cleared through the Depository Trust Company (DTC), it will be delivered directly to the custodian by the bank or broker/dealer. If the CD is not DTC eligible, such Certificate shall be mailed to the Authority or, if feasible, picked up by an agent of the Authority. The Deputy Executive Director of Administration & Finance will immediately contact the designated custodian or trustee of the collateral for such investments, requesting telephone confirmation of deposit of collateral and receive from custodian a written instrument requiring the Authority's agreement before custody may be relinquished. In practice, Banks will usually deposit a certain amount of securities for a specified period of time, equal to the probable maximum amount the Authority would be investing during such period, i.e., a month or ninety days. CDs that are fully insured by the FDIC (principal and expected interest) are not required to be collateralized. If authorization is initially given verbally, it shall be followed by written confirmation.
- g) Payment of funds shall only be made upon delivery of securities.
- h) A record of investments shall be maintained. The records shall identify the security, the fund for which held, the place where kept, date of disposition and amount realized, if required, and the market value and custodian of collateral.
- i) Custodians of deposits and money market accounts shall be required to report monthly or more frequently on activity occurring in the Authority's custodial account. There shall be monthly verifications of both the principal amount and market values of all investments and collateral. Listings shall be obtained from the custodian and compared against the Authority's records.
- j) The Authority requires the custodian to send verification of securities held for the Authority whenever requested to do so by the Authority.

- k) The Deputy Executive Director of Administration & Finance is authorized to deposit all funds received by the Authority in Money Market Accounts or Certificates of Deposit with Banks or Investment Broker/Dealer doing business in New York State, which are members of the FDIC; the SIPC and FINRA; and/or registered with the SEC and that have also expressed an interest in receiving requests for bids, consistent with these guidelines.
- l) The report of the status of all investments will be submitted by the Deputy Comptroller at least quarterly to the Chief Executive Officer and the Board Members of the Authority.

5. Collateralization

- a) The collateral for Certificates of Deposit and Money Market Fund Deposits is limited to "Investment Grade" obligations. These are direct obligations of the United States or New York State Government or obligations the principal and interest of which are guaranteed by the United States or New York Government, or insured by the Federal Government (FDIC).
- b) Investments requiring collateralization must be fully collateralized by "Investment Grade" obligations.
- c) The collateral for a CD or Money Market Fund Deposit must equal the investment principal at all times.
- d) Market values of items mentioned in c) above will be checked by the Deputy Comptroller at least monthly to a nationally recognized financial publication.

6. Review of Investment Guidelines and Audit Procedures

- a) These guidelines shall be reviewed by the Performance Oversight Committee annually and revised as necessary to reflect changes in market conditions or legal requirements.
- b) Review of compliance with investment policy shall be part of the annual certification of independent auditors.
- c) Testing of investment practices and controls will be done at least annually by independent auditors.
- d) Collateral shall be verified annually, if held by the Authority, by Members of the Performance Oversight Committee. If held by a Bank, confirmation from such Bank will be given to Committee.
- e) The Authority shall maintain an internal control structure designed to protect the Authority's investment assets from loss, theft, and misuse.

7. Evaluation and Reporting

- a) An annual independent audit shall be performed by the Authority's independent accountants to evaluate investment program compliance. The annual audit report shall be filed within 90 days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.
- b) The Authority shall prepare an annual investment report which shall be submitted to the Division of the Budget, with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee.

8. Establishment of Dollar Limits of Investment

The following are dollar limits of Authority Investment based on the Capital Funds of interested Banks or Investment Firms:

<u>Investment Broker/Dealer/Banks Capital Funds</u>	<u>CDTA Investment Limit</u>
0 to \$ 50,000,000	See Below
\$ 50,000,000 to \$ 1,000,000,000	\$15,000,000
\$ 1,000,000,000 to \$ 3,000,000,000	\$25,000,000
Over \$ 3,000,000,000	\$50,000,000

Interested Banks or Investment Broker/Dealer with Capital Funds of \$50,000,000 or less may be considered for investment purposes. The Authority investment limit for Banks or Investment Broker/Dealer falling into this category will not be greater than 50% of that Banks or Investment Broker/Dealer Capital Funds as determined by their most recent audited financial statements.

9. Criteria for Selection of Investment Banks or Firms and Brokers

The Performance Oversight Committee shall maintain a list of approved financial institutions and a list of approved security broker/dealers. As market conditions change, the Authority may find it necessary to place investments directly with Investment Banks or Firms and Brokers. The following are criteria for the selection of Investment Banks or Firms and Brokers:

- a) Investment Banks or Firms and Brokers authorized to do business within New York State.
- b) Investment Banks or Firms and Brokers in business for over (5) five years.

- c) Investment Banks or Firms and Brokers which have invested over \$500,000,000 in assets for their clients at the time of any investment made by the Authority.
- d) Investment Banks or Firms and Brokers that have demonstrated a proven record of returns for their clients, in the past and the present, which are above rates of inflation.
- e) Investment Managers/Advisors must be registered with the Securities and Exchange Commission (SEC) while Investment Brokers/Dealers must be members in good standing with the Securities Investors Protection Corporation (SIPC) and the Financial Industry Regulatory Authority (FINRA).

All the foregoing sections of the Investment Policy that pertain to banks shall apply to Investment Broker/Dealers.

10. It is intended that all of the foregoing comply with subdivision 4, of section 1306 of the Public Authorities Law except insofar as regards Money Market Funds as provided by Public Authorities Law section 2925 (3) (b).